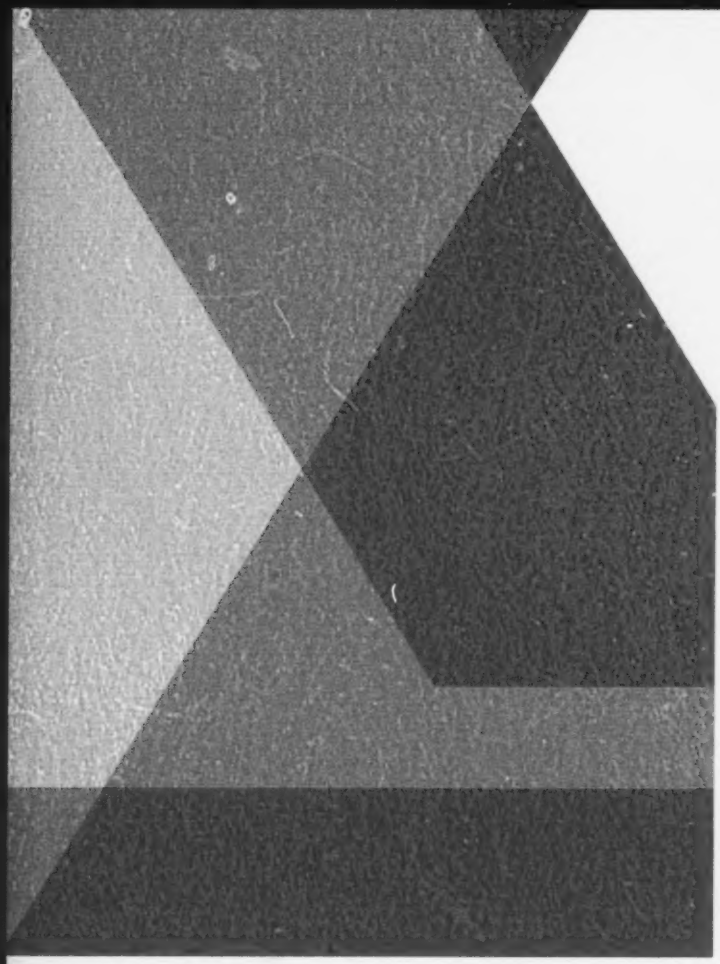

Business Plan

2018–19

Department of Finance and Treasury Board

NOVA SCOTIA

© Crown copyright, Province of Nova Scotia, 2018

Budget 2018–19: Business Plan
March 2018

ISBN: 978-1-55457-821-4

Table of Contents

Message from the Minister 3

Departmental Mandate 4

Finance and Treasury Board Priorities 5

Strategic Goal: Fiscal Sustainability 8

- Fiscal Sustainability: Actions 8
- Fiscal Sustainability: Budget Context 10
- Fiscal Sustainability: Performance Measures 11

Message from the Minister

I am pleased to present the 2018-19 Business Plan for the Department of Finance and Treasury Board.

The work of the Department of Finance and Treasury Board supports Government priorities by helping to achieve ongoing fiscal sustainability for the Province. The Department achieves this through: budget and fiscal plan development; financial accounting; expenditure management; financial advisory services; continuous program review and strategic initiatives; revenue estimates and federal transfers; tax policy, administration and credits; economic forecasting, policy analysis and modelling; liability, debt and treasury management; corporate compliance and reporting; regulation of pensions and select financial institutions; and policy oversight to the securities and liquor control sectors.

The Department's focus is to preserve the financial capacity of government to provide public services in Nova Scotia. Government's plan continues along the same fiscal path that has resulted in consecutive balanced budgets in the last two years. Budget 2018–19, and the next three to come, are all projected to balance, too. It is this fiscal sustainability that helps facilitate a positive economic environment through market stability, which encourages economic growth, and business investment.

In an effort to support Government priorities the Department of Finance and Treasury Board is guided by the following mandate items, in addition to core operations and existing options:

1. Ensure government's strategic objectives are achieved with fiscal discipline.
2. Continue to bring forward balanced budgets that reflect platform commitments and maintain provincial fiscal sustainability.
3. Support low and mid-income Nova Scotians.
4. Collaborate with the Department of Business to amend the equity tax credit with the aim of promoting more investment in innovation driven entrepreneurship.

The Department of Finance and Treasury Board relies on the dedication and expertise of its employees to achieve its objectives, and I would like to thank them for their ongoing efforts. As Minister of Finance and Treasury Board, I look forward to continuing the important work of the Department to further advance the priorities of Government in the 2018-19 fiscal year.

Original signed by

Honourable Karen Casey
Minister of Finance and Treasury Board

Departmental Mandate

The Department of Finance and Treasury Board (FTB) works to preserve the financial capacity of government to provide public services in Nova Scotia, by achieving ongoing fiscal sustainability for the Province.

Flowing primarily from the *Finance Act* and the *Public Service Act*, the Department's mandate includes:

- establishing a sound fiscal framework,
- control over public finances, and
- providing meaningful, transparent financial reporting

The Department prepares government's four-year fiscal plan and presents it annually in the provincial budget documents. The budget is monitored throughout the year and public forecast updates are provided to the public, reporting progress. The actual year-end results are provided annually through the Province's Public Accounts, which report results as compared to the budget.

Through its activities, the Department supports government decision-making. The Department also supports the Minister of Finance and Treasury Board in overseeing certain crown agencies for which the Minister is assigned responsibility.

Finance and Treasury Board Priorities

The Department of Finance and Treasury Board supports Government by establishing a sound fiscal plan and financial framework to support the priorities of Nova Scotia. Through this work, the Department enables the Government of Nova Scotia to deliver public services.

In delivering on services, the Department is guided by its core functions to oversee Nova Scotia's public finances, develop the Budget and fiscal plan, report on government spending and income, and manage the province's debt. Additionally, the Department assists other branches of government with budgeting, accounting, economic impact assessment and statistical analysis to ensure that everyone complies with the government's fiscal plan.

Balanced Budget

The Government presented a balanced budget for the 2017-18 and has tabled a balanced budget for the 2018-19 fiscal year. The next three budgets are all projected to be balanced. This work, in collaboration with all government departments and agencies, aligns with the mandate to establish a sound fiscal framework.

Financial leadership and analysis to build and sustain a sound fiscal framework is critical to the success of the government's initiatives and delivery of public services.

Fiscal Discipline

Finance and Treasury Board works to provide strong financial management and fiscal prudence that allows Government to allocate resources to the important priorities for of Nova Scotians.

The department continues to provide ongoing economic, statistical and demographic information to inform policy and project development. This work assists in identifying ongoing and new program needs. By examining detailed profiles of the economic impacts of key sectors, as well as the inter-industry relationships between sectors, it allows Nova Scotians to see and make the best use of economic opportunities.

To improve efficiency and effectiveness of government-wide efforts, the Department undertakes strategic examination of programs and program policy. This robust analysis support initiatives targeted at improving and attaining operational efficiencies.

Tax Measures

Finance and Treasury Board has an ongoing review of tax policy, tax measures and fiscal impacts, to ensure the efficiency and effectiveness.

With an ongoing focus to support business, the small business income threshold rose from $350,000 to $500.000, effective January 1, 2017. This provides tax relief, with more small businesses small businesses paying only the lower 3% tax rate and more businesses paying both the general rate. This change has helped 1,800 small businesses.

The province has also enhanced the Basic Personal Amount (BPA) for the 2018 taxation year and subsequent taxation years, effective January 1, 2018. These enhancements will reduce taxes for low and middle income individuals and families. The BPA will increase by up to $3,000 from $8,481 to $11,481. For individuals with taxable income greater than $25,000 the amount of the enhancement will reduce as income rises, with the enhancement ending when taxable income reaches $75,000. This will reduce taxes for over 500,000 Nova Scotians and an additional 60,000 will no longer pay provincial income taxes. On average, tax filers would save $159 in provincial income tax.

The province intends to introduce a new Innovation Equity Tax Credit, to begin January 1, 2019, which will be more narrowly focused and have a threshold similar to our neighbours. The existing equity tax credit will be phased out over time.

As part of the ongoing work, Finance and Treasury Board is undertaking tax credit reform. Recommendations related to updating efficiency and effectiveness of tax credits will be provided, based on the outcome of the review. Furthermore, the department is reviewing and re-designing the Working Income Tax Benefit tax credit to better tailor to low-income working Nova Scotians needs.

Other Major Initiatives

The beverage alcohol industry in Nova Scotia is growing, consisting of wine, distilling and craft beer. Each sector is diverse, including commercial and craft manufacturers operating on a variety of business models. This industry has economic growth potential for the Province and is contributing to job creation and economic activity across Nova Scotia. Government wants to see this industry continue to grow and flourish. Therefore, the Department is working across all sectors to develop policies that encourage growth in our wine, distilling and craft beer industries. The Department plans to achieve this through a coordinated approach to policy development to help promote industry growth while maintaining social responsibly and protecting the Province's financial position.

Finance and Treasury Board also continues to be in engaged with federal and provincial partners to implement provincial initiatives to accommodate the federal policy to legalize cannabis.

The Department continues to provide advice on tangible capital assets and infrastructure including asset divestiture, optimization and monetization. The department is examining options, such as public-private-partnerships, for upcoming capital projects and financing options for the public service body – including bridges, hospitals, highways, universities and schools.

The recent changes to enhance the Canada Pension Plan (CPP) improve retirement income security while being modest, affordable and giving citizens and businesses time to adjust. Federal and provincial governments are working to ensure the long-term sustainability of the CPP enhancement by moving forward with regulations that will ensure the CPP enhancement remains appropriately funded over time. Finance and Treasury Board is leading this work for the province of Nova Scotia.

In addition, other CPP benefits be strengthened to provide greater benefits to parents whose income drops after the birth or adoption of their child, to persons with disabilities, to spouses who are widowed at a young age and to the estates of lower-income contributors. CPP contributions rates will not be impacted.

Strategic Goal: Fiscal Sustainability

Fiscal Sustainability is the Department of Finance and Treasury Board's strategic goal for 2018-19. The Department will provide financial leadership and analysis to build and sustain a sound fiscal framework and financial control over public finances.

The department's goal is to support Government's objective of a balanced budget and achieve ongoing fiscal sustainability.

Fiscal Sustainability: Actions

Key actions that advance the fiscal sustainability objectives are guided by the Department's core functions.

Budget and Fiscal Plan Development

Develop and coordinate of the provincial budget, four-year fiscal plan and capital plan. This work includes budget policy analysis, fiscal planning, and ongoing scrutiny of the borrowing plan.

Financial Accounting

Establish corporate accounting policies in accordance with Public Sector Accounting Standards and provide expert accounting advice/recommendations to the finance and business community for the General Revenue Fund and Government Reporting Entities corporate initiatives of the Province. Additionally, the preparation and analysis of the annual Public Accounts, which include the consolidated financial statements of the Province.

Expenditure Management and Financial Management

Coordinate, monitor and report multi-year spending activities, through the budget and forecast process, with respect to operational and capital planning for the Province.

Continuous Program Review and Strategic Initiatives

Undertake strategic examination of programs and program policy to improve efficiency and effectiveness of government-wide efforts.

Revenue Estimates and Federal Transfers

Participate and support Federal-Provincial-Territorial (FPT) Finance relationships and support FPT collaborations and providing advice on advancing province's interests. Review and report on federal estimates, technical and policy features and implications of changes to formulae.

Regulation

Enable effective regulation in a manner helpful to people and business, and several financial services sectors including insurance, credit unions, pensions, and securities and liquor industry.

Tax policy, administration and credits

Complete ongoing reviews of tax policy, tax measures and fiscal impacts. Building from this work, tax policy is designed, enhanced and implemented. Tax agreements with the federal government are overseen, and the Department works to advance the Province's interests on Federal - Provincial - Territorial committees.

Economic Forecasting, Policy Analysis and Modelling

Provide forecasts of economic growth by industry, allowing Nova Scotians to plan for economic change at the sectoral level. Additionally, providing population projections at the county level, allowing for better targeting when planning public services, business and community development as demographics change in the coming decade. Through supporting public measurement and analysis, the Department measures the progress towards the One Nova Scotia goals.

Liability and Treasury Management

Manage the treasury functions for the Province, which involves the prudent management of the annual borrowing program and the Province's cash, liquidity and debt portfolios. This is accomplished with a view to minimizing debt service costs subject to acceptable levels of risk. Liability Management and Treasury Services also provides advice and consultation services to government departments, agencies, boards and commissions.

Compliance and Reporting

Manage the accounting, reporting and custody of all debt and investments of the Province.

Fiscal Stability: Inputs – Budget Context

Finance and Treasury Board Departmental Expenses Summary			
	2017-18 Estimate	2017-18 Forecast	2018-19 Estimate
Programs and Services	($thousands)	($thousands)	($thousands)
Senior Management	3,907	3,359	3,652
Controller's Division	2,337	2,125	2,396
Treasury Board Office	1,221	1,178	1,283
Corporate Strategic Initiatives	924	721	863
Financial Advisory Services	11,062	9,973	11,528
Fiscal Policy, Economics and Budgetary Planning	3,649	3,640	3,724
Total – Departmental Expenses	**23,100**	**20,996**	**23,446**
Additional Information:			
Fees and Other Charges	412	435	415
Ordinary Recoveries	120	287	292
Provincial Funded Staff (FTEs) Net	**207.9**	**192.4**	**208.3**

Fiscal Sustainability: Performance Measures

Progress will be measured and reported on in the province's annual Budget, public forecast updates and the public accounts. These measures are also reported on by the Auditor General for Nova Scotia.

1. Fiscal Sustainability

Fiscal sustainability can be defined as the degree to which a government can maintain existing programs and meet existing creditor requirements without increasing the debt burden on the economy[1].

The primary measures for fiscal sustainability is the net debt to nominal Gross Domestic Product (GDP) ratio.

The One Nova Scotia Commission Report proposed a net debt to GDP ratio goal for the province of 30% or less by 2024.

A balanced budget is measured by the annual surplus/deficit of the provincial budget.

2. Flexibility

'Flexibility' refers to the degree to which a government can increase its financial resources to respond to rising commitments, by either expanding its revenues or increasing its debt burden.[2]

The typical measure of government financial flexibility looks at the ratio of debt servicing costs in relation to the total revenue available to spend in a given year. (Debt service costs as a percentage of revenue).

3. Vulnerability

'Vulnerability' refers to the degree to which a government becomes dependent on, and therefore vulnerable to, sources of funding outside of its control or influence, both domestic and international.[3]

This measure is often used for the vulnerability of government finances is the amount of federal government transfers as related to the total revenues of a provincial government. (Federal transfers as a percentage of total revenue).

---

[1] *Indicators of Government Financial Condition, Research Report*; the Canadian Institute of Chartered Accountants, 1997.
[2] Ibid
[3] Ibid

Performance Measures: Results

The performance measure results are presented in the following table.

- For 2017-18, the results are based on the final forecast as presented in Budget 2018-19. The final result will be presented in the Provincial Public Accounts for 2017-18 in the summer of 2018.
- For 2018-22, the results are based on the Province of Nova Scotia's four-year fiscal plan, as presented in Budget 2018-19.

Indicator	2014-15	2015-16	2016-17	2017-18(f)	2018-19	2019-20	2020-21	2021-22
Sustainability								
Annual Surplus/(Deficit)	($143.7M)	($13.2M)	$149.6M	$133.5M	$29.4M	$39.1M	$60.9M	$75.0M
Surplus/(Deficit) as % of GDP	(0.36%)	(0.03%)	0.36%	0.31%	0.07%	0.09%	0.13%	0.15%
Net Debt to Nominal GDP	37.8%	37.2%	35.8%	34.9%	34.2%	33.5%	32.8%	32.1%
Net Debt per Capita	$15,909	$15,980	$15,750	$15,780	$15,851	$16,000	$16,114	$16,127
Net Debt	$15.0B	$15.1B	$15.0B	$15.1B	$15.2B	$15.3B	$15.5B	$15.5B
Debt Service Costs as % of total revenue	8.4%	7.9%	7.5%	7.8%	8.3%	8.0%	7.2%	6.7%
Own Source Revenue as % of GDP	18.5%	18.7%	18.8%	16.7%	16.3%	16.1%	15.7%	16.0%
Federal Transfers as % of total revenue	31.7%	31.4%	31.2%	33.1%	33.1%	32.6%	34.2%	33.4%

Notes:

1. *Performance measures for 2014-15 to 2016-17 use Government Reporting Entity (GRE) figures (Consolidated). 2017-18 to 2021-22 will use General Revenue Fund (GRF) figures, because consolidated figures are not available for Budget and forecast years. f=forecast*